



STATE OF DELAWARE
OFFICE OF THE STATE TREASURER
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DOVER, DE 19904

JACK A. MARKELL
STATE TREASURER

PHONE: 302-672-6700
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September 12, 2007

Re: New 403(b) Transfer Rules Effective September 24, 2007

Dear State of Delaware Employee:

I am writing to inform you of an important federal tax law change. If you are participating in a 403(b) or Tax Sheltered Annuity Plan (for teachers, educators and other qualified employees), please be aware that beginning September 25, 2007 new federal IRS rules apply to any transfer of your 403(b) assets. A transfer occurs when you move your 403(b) assets from one investment provider to another. Transfers made after September 24, 2007 must satisfy a series of conditions, which are listed below. If these conditions are not met, the transfer may be treated as a **taxable event to you**.

Under new 403(b) regulations issued by the Internal Revenue Service, the following conditions are required after September 24, 2007 for a tax-free transfer of 403(b) accounts from one investment provider to another investment provider:

1. The 403(b) plan permits the transfer.
2. Your accumulated benefit or account balance after the transfer is at least as great as your accumulated benefit or account balance before the transfer.
3. The distribution restrictions at the new investment provider are at least as stringent as the distribution restrictions under the current investment provider.
4. The State of Delaware and the new investment provider enter into an agreement to share information about your account which will ensure compliance with the tax laws ("Information Sharing Agreement").

The State is working with investment providers to confirm they can comply with the federal regulations. In the meantime, it is strongly suggested that you not make any transfers after September 24, 2007 until further notice. Transfers completed after this date may be considered a taxable event.

Once the State is assured that investment providers are addressing the requirements of the federal regulations, you will be notified that you may resume making these transfers.

If you have any questions, feel free to call me at (302) 672-6705 or email me at Leighann.Hinkle@state.de.us.

Sincerely,

A handwritten signature in black ink that reads "Leighann N. Hinkle".

Leighann N. Hinkle
Director, Defined Contribution Plans